

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Expedited Package Services 7
(MC2016-196 and CP2016-280)
Negotiated Service Agreement

Docket No. CP2017-213

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE NOTICE OF FILING MODIFICATION TO
A GLOBAL EXPEDITED PACKAGE SERVICES 7
NEGOTIATED SERVICE AGREEMENT

(October 12, 2017)

The Public Representative hereby provides comments pursuant to the Commission's Notice of Initiation of this docket.¹ In that Notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of filing a Modification to a Global Expedited Package Services 7 (GEPS 7) negotiated service agreement (Agreement).²

Agreements with the GEPS 7 product offer incentive pricing to mailers that send items directly to foreign destinations using Priority Mail Express International (PMEI), Priority Mail International (PMI), First Class Package International Service (FCPIS) or a combination of each. Notice at 4. Prices offered pursuant to an agreement may differ depending upon the volume or postage commitments made by the mailers. *Id.*

¹ PRC Notice Initiating Docket No. CP2017-213, October 10, 2017

² Notice of United States Postal Service of Filing a Modification to a Global Expedited Package Services 7 Negotiated Service Agreement, October 6, 2017 (Notice).

The Commission, in Order No. 3976 included the agreement that is the subject of this docket within the GEPS 7 product.³ The instant Modification amends and replaces Annex 1A and Annex 2A to the original agreement. The rates in the Modification are intended to be placed into effect on November 1, 2107. Attachment 1 at 1.

COMMENTS

The Public Representative has reviewed the Postal Service's Notice, the Modification, and supporting financial model filed under seal as part of the Notice. Based upon that review, the Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement. In addition, it appears that the amended prices contained in the Modification should continue to generate sufficient revenues to cover costs.

39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

As presented, the Postal Service's modified financial model indicates that the negotiated rates in the Modification will continue to generate sufficient revenue to cover its attributable costs. Therefore, this Modification to the Agreement of the GEPS 7 product will not cause the product's cost coverage to fall below 100 percent - assuming the product currently covers its attributable costs. Under this assumption, the addition of the Agreement, as modified, should allow the GEPS 7 product to continue to comply with 39 U.S.C. § 3633(a)(2), and should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. §

³ PRC Order No. 3976, Order Approving Additional GEPS 7 Negotiated Service Agreement, June 26, 2017.

3633(a)(1). The Commission will have an opportunity to review the financial results for the Agreement in a future ACD Report for compliance with 39 U.S.C. 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

901 New York Ave. NW
Washington, DC 20268-0001
202-789-6888
kenneth.moeller@prc.gov

Kenneth R. Moeller
Public Representative